

Message Text

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ACTION EUR-12

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INFO EC COLLECTIVE

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E.O. 11652: N/A
TAGS: EFIN ECON EIND XG
SUBJECT: EC COMMISSIONER DAVIGNON SPEAKS ON EC INDUSTRIAL
POLICY

1. EC COMMISSIONER DAVIGNON STRONGLY OPPOSED PROTECTIONISM AS A ROAD TOWARD ECONOMIC WELL-BEING IN A N ADDRESS JUNE 8 TO AN INVITED AUDIENCE OF 100 BUSINESS AND GOVERNMENT LEADERS IN THE HAGUE. SPEAKING INFORMALLY AND WITHOUT NOTES, DAVIGNON'S REMARKS PROVIDED MORE OF A PHILOSOPHICAL BACKGROUND THAN AN AGENDA FOR POLITICAL ACTION, BUT HIS PREDILECTION FOR FREER TRADE WAS UNMISTAKABLE. IN CLASSIC FORM, HE ARGUED THAT EUROPE'S POST-WAR PROSPERITY HAD BEEN TIED TO ITS DEVELOPMENT OF A COMMON MARKET FOR 250 MILLION CONSUMERS AND THAT FUTURE PROSPERITY WILL BE HEAVILY DEPENDENT ON IMPROVING AND DEVELOPING THIS MARKET. IMPORTANT IMPROVEMENTS CAN COME, HE NOTED, THROUGH SUCH UNGLAMOROUS ACTIONS AS STREAMLINING INTRA-COMMUNITY CUSTOMS PROCEDURES. EC POLICY SHOULD AVOID PROTECTING DEPRESSED MEMBER COUNTRY INDUSTRIES SUCH AS STEEL AT THE EXPENSE OF INDUSTRIES IN OTHER GEOGRAPHIC AREAS EXCEPT TO PROVIDE TIME AND TO HELP CARRY OUT SPECIFIC PROGRAMS TO MODERNIZE INDUSTRY OR TO MOVE RESOURCES TO MORE PRODUCTIVE USES. BY EXTENSION, EC SHOULD NOT SEEK TO PROTECT ITSELF FROM U.S. OR JAPANESE
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COMPETITION, BUT SHOULD INSTEAD SEEK TO MAXIMIZE ITS OWN PENETRATION OF THOSE MARKETS. THE ULTIMATE EFFECT OF PROTECTIONISM WOULD BE TO LOWER THE WELFARE OF CONSUMERS WITHIN THE EC AND THROUGHOUT THE WORLD, HE SAID. DAVIGNON NOTED THAT, THROUGH THE LOME CONVENTION, THE EC HAS ESTABLISHED AN IMPORTANT POLICY OF SYSTEMATIC SUPPORT FOR DEVELOPING COUNTRIES, BUT HE DID NOT TOUCH ON PROBLEMS AS-

SOCIATED WITH EXTENDING THE COMMON MARKET TO LESS DEVELOPED SOUTHERN EUROPEAN COUNTRIES.

2. RESPONDING TO QUESTIONS FROM THE FLOOR, DAVIGNON CONCEDED THAT HIS REMARKS DID NOT ADDRESS COMPLEX TRANSITIONAL AND TECHNICAL PROBLEMS DIRECTLY. HE NOTED THAT ANY GENERAL PRINCIPLE APPLIED TO REAL PROBLEMS WOULD BE IMMEDIATELY TESTED BY SCORES OF PRACTICAL CIRCUMSTANCES. CERTAINLY THE PROBLEMS OF THE EUROPEAN STEEL INDUSTRY WERE NEITHER SIMPLE NOR WERE THERE READY SOLUTIONS. BUT HE ARGUED THAT STAGNATION CAN BE AVOIDED BY SEIZING NEW OPPORTUNITIES AND BUILDING FOR THE FUTURE.
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